

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE TENNESSEE

LIMITATION ON AMOUNT, DURATION AND SCOPE OF MEDICAL CARE
AND SERVICES PROVIDED

4.b. continued

2. it is being provided on a day when the child receives an IEP health-related Medicaid covered service;
3. the Medicaid covered service is included in the child's IEP;
4. the student's need for specialized transportation service is documented in the child's IEP; and
5. the driver must have a valid driver's license.

Specialized transportation services are defined as transportation that requires a specially equipped vehicle, or the use of specialized equipment to ensure a child is taken to and from the child's residence to school or to a community provider's office for IEP health related services.

1. Transportation provided by or under contract with the school, to and from the student's place of residence, to the school where the student receives one of the health related services covered by Title XIX;
2. Transportation provided by or under contract with the school, to and from the student's place of residence to the office of a medical provider who has a contract with the school to provide one of the health related services covered by Title XIX; or
3. Transportation provided by or under contract with the school from the student's place of residence to the office of a medical provider who has a contract with the school to provide one of the health related services covered by Title XIX and returns to school.

Specialized transportation services will not be Medicaid reimbursable if the child does not receive a Medicaid covered service on the same day. When claiming these costs as direct services, each school district will be responsible for maintaining written documentation, such as a trip log, for individual trips provided. No payment will be made to, or for parents providing transportation.

Behavioral Health Services:

Behavioral health services are counseling for children and include individual, group and family therapy. Where family counseling is necessary, counseling provided to family members is for the direct benefit of the child and will be claimed as a service to the child alone. Behavioral health services include necessary assessments and reassessments where they result in the provision of IEP services. These services are covered in accordance with the requirements of 42 CFR 440.130. Behavioral health services are provided by licensed social workers, psychologists, and psychiatrists who are licensed in the state of Tennessee or are licensed in another state, but meet the licensure requirements of the state of Tennessee.

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STATE TENNESSEEMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE4.b. Early and Periodic Screening, Diagnosis and Treatment (cont'd)**Cost reimbursement for IDEA-related school-based health care services**

The Medicaid reimbursements to the participating school districts will be based on methodologies intended to compensate the school districts for their actual Medicaid allowable costs of providing the IDEA related school-based health care services to the Medicaid eligible students.

I. Payments for IDEA Related School-Based Services, other than Specialized Transportation:

For each of the IDEA related school-based services (SBS) other than the specialized transportation services (STS), the participating school districts' actual costs of providing the services will be claimed for Medicaid FFP based on a methodology explained in the steps described below. The State will gather actual expenditure information for each district through the 'Annual Public School Financial Report' that all districts are required to certify and submit to DOE. All costs that will be included in the rate calculation and cost settlements are identified as allowable in OMB Circular A-87, as defined in Attachments A and B. The State will also use other school district specific information including the general fund budget, payroll records and FTE counts. The State will develop individual district-wide rates for each of these SBS to be provided at the participating school districts.

Step 1: Develop Payroll Cost Base

To develop the payroll cost base, the most recent fiscal year's (FY) aggregate Actual Salary costs will be used for each school district's SBS provider type. To arrive at the 'District Average Salary' for each SBS provider type, the actual salaries obtained for each SBS provider type will then be divided by the number of FTE's for the FY. These costs are allowable under OMB Circular A-87 Compensation for personnel services (Attachment B, 11). (Note: The specific line item information used in the example calculation supplied to CMS was obtained from the 'Memphis City Schools 2003 - 2004 General Fund Budget', Function Code 1217 Speech and Language.)

Step 2: Add Allowable Fringe Benefit Costs

In calculating the allowable fringe benefit costs, the State will utilize the most recent FY's Annual Public School Financial Report submitted by each school district. Specifically, the State will divide the 'District Fringe Benefits Expenditures' (Object Code 200) by the 'District Base Salary Expenditures' (Object Codes 100 + 300) to arrive at the 'District Fringe Benefits % Rate.' Then, one plus this rate will be multiplied times the 'District Average Salary' for each SBS provider type calculated in Step 1 above.

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OTHER TYPES OF CARE4.b. Early and Periodic Screening, Diagnosis and Treatment (cont'd)**Step 3: Determine Allowable Payroll Costs Related to Direct Services**

The most recently summarized FY's Medicaid Administrative Claiming time study results for each school district will be utilized in this step. To determine the allowable payroll costs related to direct services, the State will apply the 'Direct Service % of Total Time Study Results' for each SBS provider type to the district average payroll expense arrived at in Step 2. The State also will apply the 'Direct Service% of Total Time Study Results portion of the General Admin payroll expense. The sum of these calculations determines the 'Total Payroll Expense Related to Direct Services' for each SBS provider type in the district.

Step 4: Determine Applicable Direct Service Units for Rate Setting

To determine the applicable direct service units per year, per FTE, the State will utilize the Direct Service hits for each SBS provider type that was documented through the time study used in step 3. Another methodology that the State will review and consider is to determine the 'Total Maximum Units per Year,' and then discount this total number by the 'Direct Service % of Total Time Study Results.' This is arrived at by calculating the number of school days per year (220 days per year); multiplying that number of days by the number of hours in a school day (7 hours per school day); then multiplying that result by the number of units per hour (4 fifteen minute units per hour). The 'Direct Services % of Total Time Study Results' is then applied to the 'Total Maximum Units per Year' to arrive at the 'Direct Service Units per Year, per FTE'. This second option may result in a more conservative, understated unit cost rate.

Step 5: Calculate Payroll Costs per Unit of Service (15 minutes)

This calculation for each of the SBS provider types derives the 'District Unit Payroll Rate' per each 15-minute unit of services. The 'Total Payroll Expense Related to Direct Services' arrived at in Step 3 is divided by the 'Direct Service Units per Year, per FTE' that the State arrived at in Step 4.

Step 6: Add Allowable Operating Costs

This calculation derives the district operating rate per unit. The district cost data used in this calculation is obtained from the districts' same 'Annual Public School Financial Report' used in step 2. For the Operating Costs, Object Code 400 and 500, excluding educational costs and the costs that were included in the Indirect Cost calculation, were used. Debt Service expenditures were found in Object Code 600 and the Capital Outlay expenditures were located in Object Code 700. These costs are allowable under OMB A-87: Debt Service / Interest (OMB A-87, Attachment B, 26(b)(3)); Capital Expenditures (OMB A-87, Attachment B, 19); and Materials and Supplies (OMB A-87, Attachment B, 29).

These total District Operating Costs are then divided by the 'District Base Salary Expenditures' (Object Code 100 & 300) (see step 2) to arrive at the 'District Operating Costs %.' The 'District

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Operating Costs %' was then applied to the 'District Unit Payroll Rate' (calculated in Step 5) to arrive at the 'District Operating Cost per Unit.' Then, for each SBS provider type, the State will add the 'District Unit Payroll Rate' (from step 5) and this 'District Operating Cost per Unit' to arrive at the 'District Unit Payroll and Operating Rate per Unit.'

Step 7: Add Allowable Indirect Costs

For applying indirect costs, the State will use the non-restricted indirect cost percentage assigned by the Cognizant Federal Agency. The 'District Unit Payroll and Operating Rate per Unit,' from step 6, for each of the SBS provider types will be multiplied times the District's non-restricted indirect cost percentage to arrive at the 'District Indirect Cost per Unit.' Then, the calculated 'District Indirect Cost per Unit' amounts will be added to the 'District Unit Payroll and Operating Rate per Unit' for each of the districts' SBS to arrive at the fully loaded rates per unit. These fully loaded rates become the interim reimbursement rates used by the State Medicaid agency to calculate the Medicaid liability amount owed to the school districts on the monthly claims submitted for the Medicaid covered SBS, other than specialized transportation.

II. Payments for IDEA-related Specialized Transportation Services (STS):

Reimbursement for specialized transportation services shall be fee-for-service. Reimbursement rates are based on statewide historical costs for STS. Direct STS expenditure data for each school district will be accumulated through a cost reporting system, approved by CMS, with assistance from the state educational agency. Direct STS expenditures will include salaries and benefits of attendants and drivers, vehicle maintenance and repairs, garage expenditures, vehicle expenditures including depreciation, interest and insurance and vehicle supply expenditures including fuel. Indirect costs will be documented by applying the cognizant federal agency's (DOE) unrestricted indirect cost rate to direct expenditure and meet federally prescribed requirements for documentation of indirect cost allocation principles outlined by OMB Circular A-87. Costs for specialized transportation will not exceed actual, reasonable costs and will be cost settled on an annual basis. When claiming the STS costs as direct services, each school district will be responsible for maintaining written documentation approved by CMS, such as trip logs, accounting for each vehicle and for individual trips provided. The State Medicaid agency will calculate the Medicaid liability amount for each school district Taking the annual Specialized Transportation costs (including indirect allocation) divided by the total number of special education students transported annually and divide that result by the total number of school days.

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STATE TENNESSEEMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

4.b. Early and Periodic Screening, Diagnosis and Treatment (cont'd)**III. Reconciliations and Adjustments to Actual Costs**

Reconciliation to the Medicaid share of the school districts' actual costs will occur in the first quarter of the fiscal year following the submission of each school district's "Annual Public School Financial Report". At that time, the actual cost amounts for the year from these annual reports, along with the summarized time study results for the period being reconciled, will be substituted in the interim rate setting methodologies described in sections *I. & II.* above. By working through these methodologies using the actual data for the periods being reconciled, the State will calculate the actual Medicaid share of each school district's actual costs for all the SBS provided to all the students enrolled in each district for the year. The actual Medicaid share of each school district's costs for the year will be compared to the total interim Medicaid reimbursements for that year. Any cost settlement adjustments determined as a result of these annual reconciliations to actual cost will be paid and or collected by the State Medicaid agency on a lump sum basis at that time. During this annual cost reconciliation process, the interim Medicaid reimbursement rates for each districts' SBS will be established for the next school year.